

THE WEATHER — PARIS: Monday, clear. Temp. 8-20
14-25. Tuesday, mostly sunny. LONDON: Monday, partly sun-
ny, 70°F. 10-19 (20-40). CHANNEL: moderate. ROME: Mon-
day, 60°F. Temp. 12-20 (20-40). NEW YORK: Monday, fair. Temp.
15-25 (20-40).

ADDITIONAL WEATHER—PAGE 2.

INTERNATIONAL

Herald

Tribune

Published with The New York Times and The Washington Post

No. 29,664

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PARIS, MONDAY, JUNE 26, 1978

Established 1887



President Carter uses field glasses to watch a firepower demonstration during his visit to Fort Hood, Texas.

Games Trimmed After Outcry Over Cost

Army Stages a \$1-Million Show for Carter

By Terence Smith

FORT HOOD, Texas, June 25 (UPI)—President Carter watched from a hillside yesterday as tanks, helicopter gunships and infantry units assaulted mock targets in a training maneuver that the Army cut back by half after an outcry over its projected cost of \$2.1 million.

The brigade-sized exercise still consumed more than \$1 million worth of live ammunition and fuel, according to Maj. Bob Good, a public relations officer.

The valley in front of the presi-

dent's reviewing stand all but disappeared in dust and smoke as more than 100 tanks and 75 armored personnel carriers pounded targets on a distant hill. They were supported by flights of A-4 fighter bombers.

The 90,000 rounds of tank and artillery ammunition and airborne missiles fired during the display made it the largest such demonstration since the Vietnam war.

Maj. Good described it as "the closest approximation of aggressive real-life warfare we could stage without getting anyone killed." He

said that the goal was "to show the president what his Army is all about."

Scenario Questioned

The controversy arose when some White House officials questioned the original scenario for an hour-long exercise that would have cost \$2.1 million. Last week, the Dallas Morning News ran a front-page article focusing on the cost. The Defense Department then directed that the exercise be cut back to 30 minutes.

The president's aides were clear-

ly sensitive about the cost, especially since the exercise came during a day on which Mr. Carter repeatedly appealed to Congress for help in trimming the federal budget.

"These proposed increases come in very seductive areas," Mr. Carter said. "It is not easy to refuse additional funds for such things as veterans, farmers, water projects, defense and education, for example. But somebody has to hold the line on spending and I am willing to do it even if it means I have to take the political consequences."

Veto Threat

Friday in Fort Worth, Mr. Carter threatened again to use his veto to block excessive or inflationary appropriations approved by Congress.

He went to Beaumont ostensibly to dedicate an expanded and modernized post office and federal office building to Rep. Jack Brooks, D-Texas. But the building already had been dedicated on behalf of the federal government last January by Jay Solomon, the administrator of general services.

The real purpose of the trip, as became evident in Mr. Carter's remarks, was to extend a public political favor to Rep. Brooks, whose powerful House Government Operations Committee holds the key to Mr. Carter's proposed reform of the Civil Service Commission.

Mr. Carter praised Rep. Brooks as a man committed to "lean, efficient government." He also stressed the importance of his Civil Service program, which he described as one of the most important undertakings in our country today—the effort to reform and reorganize our government.

Second Incident

Several days after the initial incident, engineers at the nuclear power station at Biblis—the largest in Europe—discovered a leak.

(Continued on Page 3, Col. 5)

Delay in Reporting Is Big Concern

Trio of A-Plant Mishaps Troubles Bonn

BONN, June 25 (WP)—Accidents have taken place at three nuclear power stations in West Germany in less than 10 days, and one of those incidents, in particular, is seriously troubling German officials.

Their concern is focused on an accident at the 800-megawatt nuclear power station at Brunsbuettel in northern Germany near the city of Kiel last week. In that accident small amounts of radioactive steam escaped into the atmosphere.

A parliamentary commission investigating the mishap disclosed Friday that technicians attempting

to repair ruptured piping in the plant's reactor turbine underestimated the seriousness of the problem and that the possibility of a much more dangerous leakage was averted only when the reactor shut down purely by chance.

What is just as troubling, however, is that the accident took place last Sunday and the public was not informed about why the local government did not inform the local population sooner.

The incident was a serious one, Bonn Research Ministry spokesman Bodo Burs said yesterday. "Not because it caused any damage," which apparently it did not, "but because of the way it started. Human factors played quite a role," a reference to the technical miscalculations.

"But what also concerns us is the way the public was informed, or more precisely the way the informing of the public was not carried out. That bothers us."

History of Cooperation

Until now, it was noted, the agency had had a long history of close cooperation with foreign police agencies in Western Europe and other parts of the world. It was involved in the establishment of state security services in such countries as Iran and South Korea and made intelligence specialists available to several nations during the 1950s and 1960s.

The current situation as described by officials is indicative of the new problems the government is confronting in attempting to enhance CIA effectiveness while restricting its ability to intervene in the internal affairs of other nations. The agency's response to the Italian and West German requests is said to have led to strains in relations with intelligence authorities in both countries. It has also generated concern among administration specialists on terrorism and the congressional intelligence committees.

At the White House meeting with congressional leaders last week (Tuesday), Mr. Findley said in an interview, "It is really in his hands. To bring it up today would be a

violation of our agreement."

The Carter administration has

(Continued on Page 2, Col. 3)

More Case Is Cited

CIA Refusals Reported To Foreign Bids for Aid

By Richard Burt

WASHINGTON, June 25 (NYT)—The CIA reportedly has refused to delay in response to several requests for help in dealing with terrorist actions, among them the Aldo Moro kidnapping in Italy and the hijacking of a West German airliner.

According to government officials and members of the House and Senate Intelligence Committees, the CIA, in contrast to earlier practice, turned down a request from the Italian government for a psychiatrist trained in terrorist matters and for sophisticated eavesdropping equipment to help with the members of the Red Brigades who kidnapped and killed Mr. Moro, the Christian Democrat leader.

Similarly, the agency was said to have delayed an answer to a West

House to Refuse Arms for Turks

WASHINGTON, June 24 (UPI)—

President Carter has been advised Congress would refuse to renew the arms embargo against Turkey if the issue came to a vote this week as originally planned.

"It's clear, we are 20 votes short of today," said Rep. Paul Findley, R-N.J., who wants the embargo ended.

At the White House meeting with congressional leaders last week (Tuesday), I told him on the President very clearly, Mr. Findley said in an interview, "It is really in his hands,

to bring it up today would be a violation of our agreement."

The Carter administration has

(Continued on Page 2, Col. 3)



Daniel Bertoni of Argentina leaps over a Dutch player.

Austria	12 S.	Kenya	Sh. 7
Denmark	20 S.F.	Liberia	32.25
Egypt	3 P.M.	Lesotho	1.57
Eire	40 P.	Madagascar	7.75 D.
Finland	22 P.	Malta	1.50 D.
Germany	1 P.M.	Nigeria	70 K.
Great Britain	10 D.M.	Portugal	3.40
Greece	18 Dr.	Spain	25 Ec.
Iceland	40 Dr.	Sweden	2.75 Sk.
Ireland	40 Dr.	Turkey	1.57
Italy	400 Lire	U.S. Military, Eur. J.	50.35
Israel	1.500	Yugoslavia	20 D.

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PARIS, MONDAY, JUNE 26, 1978

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Urge Disarmament Response

Brezhnev Says U.S. Policy Is 'Shortsighted' on China

By Craig Whitney

MOSCOW, June 25 (NYT)—Soviet President Leonid Brezhnev charged today that the Carter administration was pursuing "a shortsighted and dangerous policy" of trying to play the "Chinese card" against the Soviet Union.

"It's architects," he said, "may bitterly regret it."

In the Kremlin leader's first major public comment on the recent deterioration in Soviet-U.S. relations, he also accused the United States and other NATO countries of being uninterested in disarmament and called for a serious Western response to recent Soviet proposals to reduce forces in Central Europe.

Mr. Brezhnev spoke at a televised ceremony in Minsk, the capital of Byelorussia.

Much of his speech was devoted to domestic matters. But, saying "the international situation is deteriorating again," he charged that "attempts are being made lately in the U.S. at a higher level in a rather cynical form, to play the 'Chinese card' against the Soviet Union and Egyptian control, respectively, as part of a transition to eventual Pal-

estinian self-rule."

Yesterday, Egyptian Foreign Minister Mohammed Ibrahim Kamel said that the plan would be handed to the United States this week. But the Israelis dismissed it on the basis of Cairo radio reports, according to the Cabinet's statement.

The plan, which President Anwar Sadat initially outlined in interviews last month, provides for the Jordanians and the Egyptians to resume jurisdiction over their former territories while they help work out security guarantees for Israel as well as some autonomy for the Palestinian population.

Arvah Naor, the secretary of the Israeli Cabinet, said today that the plan was rejected because it set pri-

orities for a renewal of negotiations, which have now been deadlocked for five months. Mr. Naor rejected the contention that Mr. Sadat was offering a counterproposal because "the significance is that if we don't accept it, the negotiations won't be resumed."

Mondale to Visit Egypt

Israel's harshest rejection of the proposal followed Mr. Sadat's own criticism of the Israeli Cabinet's refusal to spell out its intentions for the future of the West Bank and the Gaza Strip. Mr. Sadat had called the Israeli attitude "elusive," and Mr. Kamel said yesterday that Egypt would advance its own plan, which free negotiations should be conducted between the parties.

Mr. Sadat's offer to visit Egypt

israeli

proposals of President Sadat. Israel

proposed conducting negotiations,

without preconditions, over the es-

tablishment of peace and the insti-

tution of administrative autonomy

in Judea, Samaria and Gaza, as

part of the peace treaty over which

free negotiations should be con-

ducted between the parties.

The reference was to the plan for

limited Palestinian autonomy that

Prime Minister Menachem Begia

offered at his meeting with Mr. Sa-

dat last December in Ismailia,

Egypt. The Egyptians rejected the

plan on the grounds that it did not

go far enough and that it allowed

Israeli military occupation to con-

tinue. But until now, Mr. Sadat had

not put forward a counterproposal.

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dat last December in Ismailia,

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Israeli military occupation to con-

tinue.

The reactions of both sides have

effectively put the problem back in

the lap of the Carter administration,

which will shortly be resuming

its intermediary role in the region.

Vice President Mondale had al-

ready been scheduled to visit Israel

last Friday and will now stop

over briefly in Egypt next week as

well for a meeting with Mr. Sadat.



Rhodesian soldiers carry the body of one of the whites slain at the mission school.

Victims Include 4 Children

12 Whites Slain at Mission in Rhodesia

From Wire Dispatches

SALISBURY, Rhodesia, June 25 (WP)—Rhodesian church and political leaders expressed outrage today over the killings Friday by Rhodesian black nationalist guer-

illas

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Congressman Drafting Alternate Tax Plan**Overseas Pay Exclusion to Be Proposed**

By Robert C. Siner
WASHINGTON, June 25 (IHT) — A proposal to substitute a split-income exclusion for U.S. citizens overseas for the combined exclusion and special deduction agreed on by a House subcommittee is being drafted by Rep. Richard Schulze, R-Pa.

The proposal would replace the

Section 911 (foreign income) provisions of the Tax Reform Act of 1976. U.S. citizens living in Western Europe and Canada would be allowed an exclusion of \$10,000; those living in other areas of the world, \$50,000, according to a Schulze aide.

These exclusions would be "off the top," thereby eliminating a pro-

vision of the Tax Reform Act that would tax earnings in excess of the excluded amount at the higher rates that would apply if the exclusion were not made.

Eliminates Deductions

The Schulze proposal also would include more liberalized moving expenses and additional time for tax-free reinvestment of the proceeds

from sale of a principal residence, provisions agreed on by the House Ways and Means subcommittee on June 6. But it would wipe out the special deductions for education, cost-of-living, housing, rest and recreation, home leave and others proposed by the subcommittee.

A spokesman for Rep. Schulze Friday said that the congressman agreed with his subcommittee colleagues that "something must be done for U.S. citizens abroad and is not opposing the panel's original idea. However, the aide said, Rep. Schulze felt that the numerous deductions in the panel's plan might be too complicated for taxpayers without degrees in law and accounting and wanted his plan considered because it is simpler.

In May, the subcommittee had been ordered by Ways and Means Committee Chairman Al Ullman, D-Ore., to come up with a bill revising the foreign income provisions of the Tax Reform Act to present to the House and ultimately take to conference with the Senate. The Senate adopted its own version of the revision, including special deductions for housing, education and cost-of-living.

Final Language

The subcommittee agreed on the basic provisions of a bill two weeks ago and met today and will meet again next Tuesday to work out the final language.

After the final language is completed, the measure will be brought before the full Ways and Means Committee soon after Congress returns from its July 4 holiday break on July 9. The bill then will go to the House, and if approved, to conference with the Senate.

Supporters hope to complete congressional action on the bill by August 15, the extended deadline for income tax returns for U.S. citizens overseas.

But it is considered unlikely that the subcommittee would reconsider and replace its own measure with the Schulze proposal.

Cambodia Links Vietnam, CIA**To Rebel Plot**

BANGKOK, June 25 (AP) — Cambodia said today it had smashed a recent plot by Vietnam and the U.S. Central Intelligence Agency to topple the government in Phnom Penh, according to an official radio broadcast from the Cambodian capital.

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Western analysts have long speculated Vietnam would step up its aid of dissidents in Cambodia's eastern border area, avoiding direct military intervention that could bring Cambodia's ally, China, into direct conflict with Hanoi. China-Vietnam relations already are strained over the issue of Chinese repatriation.

A superior court judge placed the couple on probation for six months. They were arrested on June 13 and spent a night in the county jail.

Mr. Chavez said he would appeal. In an interview after the conviction, he said that the union would "continue to press our rights to organize the farm workers of Arizona." No further picketing of melon growers was planned for now, because the crop had been harvested.

The judge ruled that the picketing violated Arizona's right-to-work law. Mr. Chavez argued that the no-picketing injunction was unconstitutional. "We do not have the right to picket in Yuma County," he asserted.

Carter Criticizes Congress on Aid

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While teaching a Bible class at the First Baptist Church of Washington, Mr. Carter referred to a foreign policy session that he had with 80 congressmen last Tuesday. "The strongest condemnation I gave to Congress was their attitude on foreign aid," he said.

The president complained that "ordinarily stalwart, courageous members of Congress, when they are put under the slightest bit of pressure, will vote against foreign aid."

To some onlookers, the impact of Proposition 13 is likely to come at the county and mu-

كذا في المصلحة

**Nazis Pelted, Jeered At Small Chicago Rally**

CHICAGO, June 25 (AP) — Nazi leader Frank Collin and about 15 of his followers, holding a small demonstration in the plaza of Chicago's federal building complex, were greeted with a shower of rocks and eggs yesterday from thousands of counterdemonstrators.

The police kept the crowd and the Nazis separated. Mr. Collin, who, like his band, was dressed in full Nazi regalia, was ringed by followers carrying quarter-inch plywood shields.

A few injuries were reported. All were believed to be minor.

The police said that 14 persons were arrested. Nine were identified as members of the militant Jewish Defense League. They were charged with disorderly conduct.

As Mr. Collin and members of his National Socialist Party of America emerged from the federal building under heavy police guard, shouts of "Death, Death, Death to the Nazis" came from the crowd, which had begun forming about two hours earlier.

Mr. Collin shouted through a megaphone, "You will end up as fertilizer. You will fertilize the farms of my people in the future."

But his words were drowned out by the crowd, which continued to chant anti-Nazi epithets.

Mr. Collin challenged the crowd to meet him July 9 during his scheduled rally in Chicago's Marquette Park if they had the guts."

The Nazis had scheduled yesterday's demonstration as a warm-up for a planned march today through the predominantly Jewish suburb of Skokie, where more than 4,000 survivors of World War II Nazi death camps live.

But the Skokie march was cancelled by Mr. Collin after a federal judge issued the July 9 Marquette Park permit.

Claiming to Be Biggest Demonstration**U.S. Nuclear Foes Assemble Near Seaside Plant Site**

SEABROOK, N.H., June 25 (AP)

More than 6,000 demonstrators braved heat, flies and piles of garbage to crowd onto an 18-acre former town dump adjacent to the Seabrook nuclear power plant for a weekend rally against nuclear energy.

Soon after members of the Clamshell Alliance and their sympathizers entered the site south of Portsmouth, a tent city had been erected with a stage for concerts and speeches. Exhibits were set up promoting alternative energy forms. Demonstrators baked bread in a solar oven and sold T-shirts displaying a variety of anti-nuclear slogans.

Clamshell leaders claim that the

3-day anti-nuclear demonstration will be the biggest of its kind in the nation's history. The demonstration area, once the town dump, is separated from the seaside plant construction area by a chain-link fence patrolled by about 250 policemen.

A crowd debated hotly yesterday whether to abide by an agreement

between protesters and authorities, which promised that there would be no mass arrests if demonstrators stayed on the 18-acre site and left by 3 p.m. tomorrow.

Persons opposed to the agreement, some saying that they came from as far away as California, complained that they had not traveled long distances to "spend a weekend baking bread by the sun and listening to rock music," as one of them put it.

Simmering Sun

The alliance is an umbrella organization for 50 anti-nuclear groups. It takes its name from claims that it maintains will be killed by hot water released by the Seabrook plant.

About 4,000 protesters simmered in the sun while listening to musicians Peter Seeger and Jackson Brown play at New Hampshire's Republican governor, Melvin Thomson, to the melody of a popular folk song.

At a late afternoon press briefing, Gov. Thomson said he was pleased that the demonstration had been peaceful. "Let me assure you that the state is not going to back off one iota in seeing that our laws are obeyed," he also said.

Across a marsh from the campsite, a flotilla of boats picketed an offshore drilling rig used for construction of cooling tunnels for the plant. Gov. Thomson said that work proceeded as usual Saturday at the nuclear site.

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KOREAN AIR LINES

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8 Die as Bridge Falls Into River

**Engineers Called Up
In Greek Quake Zone**

SALONIKA, Greece, June 25 (UPI) — Authorities today called on all engineers of this northern region to join crews of specialists checking buildings damaged in last week's earthquake that killed 49 people.

Police said two aftershocks were

felt in the city during the morning hours. Seismologists said that they measured less than four on the Richter scale.

Five other persons were taken to

hospital for medical treatment after the accident.

Police said rescue teams were

searching for more persons among

the debris of the bridge and the river waters. They said about 50 persons were on the bridge watching a boat race when it collapsed.

**Bobby Locke,
at the Engadine
Golf Club.**

**BADRUTT'S
PALACE HOTEL
ST. MORITZ**

Season until early September.

Marty Peterson: A Shadow in the World of Espionage

By Myra MacPherson

WASHINGTON (UPI) — She is among the little-noticed persons who live in Washington — squirmed away in apartments and houses, often in suburbs. Friendly, but not too friendly; liked by the neighbors, but not really known. Some one who comes and goes for years.

And then, suddenly, the morning newspaper arrives and there she is, staring stoically out of a front page, looking not at all like a next-door neighbor.

Now, a year later, the Russians

have charged her with transporting poison used to kill an unidentified person while she was in Moscow last summer. She was not the Foreign Service officer whom she said she was. Official Washington sources confirm: She was a CIA agent, Martha (Marty) Peterson, a mystery woman. It was, as they say in the trade, an extremely good cover.

In about two dozen interviews with persons who knew Mrs. Peterson, 33, in Russia and in her middle-class suburban neighborhood in Virginia, five miles from CIA headquarters, there was surprise over her second life.

"One of the great exercises while in Moscow was to try to find out who were CIA among the FSOs [Foreign Service officers]," an American living in Moscow said. "I can't recall anyone who ever even imagined Marty, which makes me think now, 'Boy,' she must have been a good one."

A neighbor in Falls Church, Va., whose garden court townhouse faced Mrs. Peterson's, said: "I just couldn't believe it. That picture doesn't look anything like her."

Warily Described

There was nothing covert about her personality — the adjectives used to describe her were: whole-some, outgoing, all-American, good-natured, ladylike, vivacious, friendly. The kind, a Moscow co-worker said, "who could get excited about a checker game." She was the kind who played a piano-organ combination at parties, waved hello in the embassy snack bar to persons whom she had met but once, offered Falls Church neighbors rides home from the grocery store, the neighbor who substituted on her balcony and asked the teen-ager to cut the lawn.

She was about 5 feet, 7 inches tall, not fat but hefty, and had frosty-blond hair. Glamorous when she dressed up. Athletic. A green-belt in Tae Kwon-do, a Korean martial art. Retired to herself as "Mrs. Peterson."

Then came the stunning realization to these persons that they knew virtually nothing concrete about this woman whom they so affectionately described. Not where she went to school, the name of her parents, where she grew up, her maiden name, what she did before she went to Moscow.

Widowed in 1973

There was one thing — mentioned by nearly everyone, even those who said "I barely knew her at all." It was the death of her husband, a Navy pilot who was killed in Laos in 1973.

A computer check of Department of Defense casualties revealed no Navy pilot by the name of Peterson, nor anyone by that name in any other branch who was killed in Southeast Asia. The Pentagon was checking its files to confirm preliminary indications that her husband was the John Peterson who served in the Army Special Forces from 1967 to 1969.

The alleged episode of Mrs. Peterson's cloak-and-dagger espionage was generally viewed as a retaliation to recent U.S. disclosures that Soviet eavesdropping gear had been discovered in the U.S. Embassy in Moscow. It also seemed to be linked to the arrest in New Jersey of two Soviet citizens accused of espionage.

Mrs. Peterson seemed caught up in the general heightening of tensions between Moscow and Washington. In recent years, both governments rarely publicized each other's espionage activities, allowing the quiet expulsion of apprehended spies.

Bizarre Tale

The tale of Mrs. Peterson skulking in the streets of Moscow, planting a rock containing poison capsules in a niche of a bridge, seems absurdly bizarre in the everyday world of her Falls Church home.

Mainly Limited to the Cities

A Modestly Affluent Middle Class Grows in S. Korea

By Andrew H. Malcolm

SEOUL, June 25 (NYT) — Kang Dal Oba is a teacher, a husband and a father. He also is a symbol of a revolutionary social stratum in Korea — the middle class.

For centuries, this rocky peninsula has been divided into two stark social classes — the haves and the have-nots. But now, as a result of a combination of external and internal economic and political factors, a new grouping is rapidly developing in South Korea — the "have-somes" — with many of the social advantages and some of the problems that have accompanied middle-class development in other countries.

In some respects the development is still tentative. But diplomats and other foreign observers have noted an increasingly wider spread of modest affluence among the country's 37 million people,

mainly in the cities and especially in the last two years. Department stores bustle with buyers picking over an increasing variety of goods. From hiking supplies and electric hair curlers to exercise cycles and television sets — though programming is only a few hours each day.

There is no precise concept of the middle class in South Korea today. About 65 percent of the nation's 6 million households live in their own homes. Some government officials say the size of the middle class is about 40 percent of the total number of households.

"When I began teaching almost three decades ago," said the 41-year-old Mr. Kang, "the so-called middle class consisted of civil servants and bank clerks. They had a good, fairly secure life financially. But now you have to include more teachers, doctors and businessmen with our increasingly vigorous free enterprise system. We are taking a totally new place in society."

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14. Your father's opinion.

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where residents are busily tracking down their own summer enemy: crabgrass.

A tall, boxwood half-concealed the door to her \$90,000 three-bedroom, cream-colored brick townhouse. From the front, it looked as though no one was home. Venetian blinds were tightly closed at windows and doorways. From the back courtyard, lights could be seen. Mrs. Peterson returned there last fall, when she came back from Russia; the present was everything.

A woman who said that "Marty had a great sense of humor" added that there never was any talk of the past or the future, or of politics. "The center of everything was our living this ghetto existence in Russia; the present was everything."

A friend, now back in the United States, described himself as "very close" to Mrs. Peterson — "a simply marvelous person" — but he would not talk about her. He also said that he knew nothing of her background, except that her mother lived somewhere in Florida. It seemed natural to some Foreign Service officers in Russia to know little about their friends and colleagues.

Service in Moscow is equivalent to a foxhole," one said. "There were so few places you could speak openly. Offices? Bedrooms? All are bugged. You resort to writing on paper."

It was also a place where a CIA agent had to live his cover, and live it well to divert suspicion.

Vice Consul

Mrs. Peterson was a vice consul who interviewed potential Soviet immigrants to the United States and helped U.S. visitors with passport problems.

And that is why, on a morning in March of last year, a few months before the Russians expelled her as a spy, Mrs. Peterson visited the Moscow hotel room of a distraught Washingtonian, Simon Tulchin, 75, recalls her distress following her husband's fatal heart attack during their tour of Russia.

Mrs. Tulchin initially had trouble getting anyone from the embassy to come to the hotel to expedite her departure.

"But the next morning this Mrs. Peterson appeared," she said. "She canceled my husband's passport so that no one could get hold of it and stayed about a half hour. She was just a lovely girl and a credit to the Foreign Service. Very considerate. She told me about losing her own husband. She left me with the impression she wanted to do something after her husband died, to do something for her country."

The Izvestia account of Mrs. Peterson's spy activities sounds like a Russian version of a Hollywood story of subversion. It was, in fact, written by Yulian Semenov, a famous Russian spy novelist.

On July 15, the Soviet newspaper reported, "A girl, working as U.S. vice consul in Moscow, got into a car and drove to the center of the city. In a poorly lit place she changed her dress, locked the car and boarded a city bus. After changing transport several times she finally hurried to the bridge linking Luzhniki with the Lenain Hills and put an ordinary-looking stone in a loophole in the arch. It was there that the vice consul was detained."

The account went on: Embassy officials were quickly summoned, while the Russians held Mrs. Peterson. The "stone," the Russians said, was cracked open and was found to contain a microphone, photo cameras, a large sum of money, two ampoules of poison and "special instructions" on how it should be used. The espionage rock was to have been retrieved by an anonymous spy.

I am a Foreigner!

Izvestia continued: When apprehended, Mrs. Peterson "started shouting 'I am a foreigner!' Obviously the vice consul was shouting so loudly to warn the spy who was coming to the appointment place about the danger."

The Russians claim that Mrs. Peterson had previously transmitted poison used in killing an "innocent."

Came across a very patriotic scene of occupants who appeared indiscriminately pale and haggard of exhaustion, desperately in distress, pleading for help to be rescued, waving white and red cloth.



Martha Peterson sits with U.S. Consul General Clifford Gross in Moscow as she is being identified by Soviet authorities.

are in the same position you are in. All we know is the Izvestia story. We know nothing else of her."

"And so Marty Peterson sneaks in and out of her townhouse, highly protected by a handful of friends hiding from the press and everyone else, a shadow in the world of Cold War spying."

Heeded Pleas of Vietnamese 'Boat People'

Mercy Mission Endangers Captain's Job

By Henry Karum

BANGKOK, Thailand, June 25 (NYT) — Capt. Edgar Silverio has just saved the lives of 31 persons, but in view of the fact that a year ago he rescued 18 others, he is worried about whether he will be allowed to keep his job.

Capt. Silverio, a 37-year-old Filipino, is master of the freighter Tomoco, operated by a Japanese concern and flying the Panamanian flag of convenience. The 31 who are alive today because of him were escaping from Vietnam in a fishing boat, as were the other 18.

Shipowners are so disturbed at the loss of life resulting from their ships having picked up Vietnamese "boat people" because of the unwillingness of most Asian countries to let them ashore that over the last year or so — since the flow of such refugees became sizable — they have cautioned their captains not to rescue them.

This is a violation of the traditional law of the sea, which obliges

ships to come to the rescue of any vessel in peril. Although the United Nations High Commissioner for Refugees and many national officials have appealed to shipowners and captains not to leave refugees to the mercy of the sea, hardly a refugee boat has reached land whose passengers do not tell of having been saved by in distress.

Losses Particularly High

How many "boat people" drown at sea will never be known, but it is considered doubtful that more than half the boats that set out from Vietnam reach land. The losses are believed to be particularly high now, when the exodus is at its highest and the monsoon season has begun. About 5,800 refugees came ashore, mainly in Thailand, said Malaysia, last month; the April total was 4,900.

The growing size of the refugee outflow has surprised all officials concerned and threatens to make insufficient all existing refugee quotas, particularly the new program for 25,000 Indochinese announced by the United States.

The Tomoco was the 15th ship to pass the small craft carrying the 31 refugees. The previous one, whose home port was Singapore, stopped long enough to drop some food and drink to them — 14 men, 8 women and 9 children, the youngest 10 months old — but did not heed their pleas to be taken aboard.

Came across a very patriotic scene of occupants who appeared indiscriminately pale and haggard of exhaustion, desperately in distress, pleading for help to be rescued, waving white and red cloth.

U.S. and Russia Said to Join on Disarmament

UNITED NATIONS, June 25 (AP) — The United States and the Soviet Union, in a move to produce at least one significant result in the United Nations disarmament session, were reported today to be pressing for General Assembly backing of a plan to enlarge the Geneva international disarmament committee.

The question is whether the reorganization of the Geneva body would give seats to China, which has never been a member, and to France, which boycotts the committee in protest of its Soviet co-chairmanship.

The two superpowers are said to be seeking to expand membership of the panel from 31 to either 35 or 36 states.

Their initiative improved the prospect that the five-week special assembly session on disarmament, in its last days, will produce at least one accomplishment — a revamped central negotiating body for control and reduction of weapons.

Spain Police Kill Man in Car

BILBAO, Spain, June 25 (AP) —

A man was shot and killed and two persons were wounded last night, when police opened fire on their car after it failed to stop at a checkpoint near Apotamastero in northern Spain, police said. The victims did not carry identity papers.

Police set up road controls following the assassination — claimed by the Basque separatist organization ETA — last week in a municipal policeman in the Basque town of Tolosa.

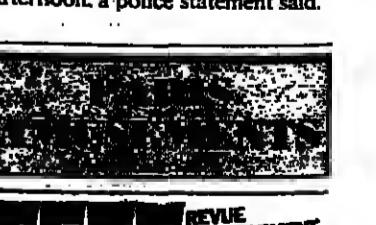
ETA demands independence of the Basque provinces from Spain, but lately it has demanded that national police be removed from the region and replaced with an all-Basque police force.

Famous Giraffe Leaves a Baby

MARWELL HALL, England, June 25 (AP) — Victor, the giraffe who made headlines when he died after doing the splits, has left a baby daughter.

Named Victoria, the baby giraffe was born yesterday at Marwell Park Zoo in Hampshire. Like her father, Victoria has problems with her spindly legs.

It was the sight of Victor, sprawled on the ground and trying to get to his feet, that brought telegrams, cards and letters from animal lovers throughout the world. The 15-year-old giant died of shock during an attempt to hoist him in a canvas sling.



designed by Dick Price

Why Censor Non-Secrets?

"Roarin' Oren," they call him in the federal courthouse in Alexandria, Va., and in a case last week, United States District Judge Oren Lewis demonstrated why. The suit involves Frank Snapp, a former CIA agent who last year published a book about the fall of Saigon. The government sued because he did so without submitting it as pledged, for approval before publication. To many, the case involves a complex clash of principles — the government's need to keep secrets versus the public's need to learn about the misdeeds or failings of government. But it seemed simple to the 75-year-old Lewis.

Repeatedly, he shouted at Snapp and his lawyers, interrupting sentence after sentence. The judge said he had not yet reached a "definitive decision," but still felt obliged to proclaim that what Snapp had done "was a willful, deliberate breach of trust. . . and I think he did it for the money."

As columnist Mary McGrory wrote when the government applied to Lewis for a summary judgment, "you could probably find no more summary judge." One need not wonder why the Justice Department filed the case in his district in the first place. He behaved the way one would have expected. But the problem is not the judge. It is the case. We thought it a crude business when the government filed it last winter. It now appears cruder still.

The government not only has a right but a duty to protect important secrets. That is why CIA employees sign prepublication clearance agreements. But it is hard to maintain much sympathy for the government's problem in protecting secrets in this case. The government, it turns out, does not contend that the Snapp book reveals classified information. There are no secrets here.

That alone justifies asking Attorney General Bell why he brought this case. He says it is needed to establish the principle that secrets can be protected with breach-of-con-

tract suits. But that principle has already been established, in a case involving another former CIA employee, by the Federal Court of Appeals in Richmond. And even that court limited its ruling to material that in fact involved secrets: the First Amendment, the court said, forbids prior censorship "with respect to information which is unclassified or officially disclosed."

Why is the attorney general so determined to seek a contractual right to censor non-secrets when he already has that right to protect secrets? Probably because, if that right is to be effective, the government has to know about a book in time to insist on approving it. But this book was produced and distributed stealthily; by the time the CIA found out about it, it was too late. The agency was left needing a new sword to rattle against others with the same idea. It should be recalled that CIA is right now cutting down its staff and releasing 800 operatives — 800 potential Frank Snapps.

Breach-of-contract suits are, however, a clumsy sword and by resorting to them it seems to us that the government is shirking its dual duty to protect free speech and to protect secrets. There are more direct and effective ways to do the latter. For example, former CIA Director William Colby has advanced a sophisticated and sensitive approach. Prepublication review, although not required, would be available to present and former officials. But there would also be a narrow law forbidding their reckless disclosure of secrets.

Would-be authors determined to avoid pre-censorship could take their chances of prosecution. And the government would at last be able to seek to punish those who blow important secrets. Relying on a plan like this is surely preferable to relying on the thunderings of an injudicious judge.

THE NEW YORK TIMES.

Korea's Gamble

South Korea took a high-risk gamble in resisting a reasonable compromise over the testimony of former ambassador Kim Dong Jo, who is accused of bribing numerous congressmen, and thereby forcing the House to make good on its warning to cut off food aid. The aid lost, \$56 million, may not mean much to Seoul, a billion-dollar customer of American agriculture. But a barrier has been breached: The United States has found reason — adequate reason, in our view — to take a punitive slap at a longtime ally. It cannot possibly be to Korea's advantage to have its whole future relationship with its principal patron unfurled under the cloud created by its failure to cooperate with the bribery inquiry in the House.

We are persuaded that House investigators went as far as they could to accommodate Korean sovereignty and pride, short of abandoning the requirement laid on them by the House to obtain Ambassador Kim's testimony either under oath or by "comparable means of assuring reliability." But even so, investigators could gain neither the reasonable prospect of agreement on a procedure for taking Mr. Kim's testimony nor, alternately, the Korean government's assurance that testimony however taken would be true.

The best guess is that South Korea figured it would take its licking on food aid in the hope that the House would not go on and take security aid hostage as well. Like everyone else, the Koreans can see that the House

THE WASHINGTON POST.

International Opinion

2 Nubs in Mideast

The United States has asked Israel what it proposes for the West Bank. Israel has replied that it intends to keep it. It will have some form of autonomy and in five years time the details may be reviewed and altered. But neither then nor, it seems, at any other time will the inhabitants have the right to opt for severance from Israel.

This is no way to peace. The West Bank is the nub of the Palestinian problem and the Palestinians in turn are the nub of the Middle East imbroglio. They demand a state of their own. They are too numerous to be swept under the carpet and their Arab brethren, though frequently exasperated with them, will continue to support them against Israel. Prime Minister Begin's attempt to eliminate them politically by his invasion of Lebanon failed. Not only do their existence and persistence have to be recognized. Their claims have at least to be partially met one day.

— From the Sunday Times (London).

* * *

The mild reaction of President Sadat should not disguise the seriousness of the sit-

uation created in the Middle East by the Israeli Government's reply to American questions about the future of the West Bank. The danger now is that without progress toward peace both sides will drift back to the old road that leads to war.

— From the Observer.

Bad Week for Terrorists

Exactly how the four suspected terrorists were spirited away from a Bulgarian holiday beach and brought back to face charges in West Germany is in dispute.

But the fact that the operation could take place at all shows a degree of police cooperation almost unknown between a NATO and a Warsaw Pact power.

At the same time, 29 members of the Red Brigades, including several of its founders, were jailed by the courageous judges and juries of a Turin court, which thus did much to reassert the shattered authority of the Italian state.

It has, in short, been a bad week for terrorists — which makes it a good week for everyone else.

— From the Sunday Telegraph (London).

In the International Edition

Seventy-Five Years Ago

June 26, 1903

LONDON — The French colony in London is bitterly disappointed over the allotment of tickets for the reception of French president Loubet at the Guildhall during his visit to London. Mr. Leon Clerc, secretary of the French Chamber of Commerce, stated that, in his opinion, French nationals had been overlooked in the distribution of tickets, and added "it is most remarkable that a commercial people like the British should treat a commercial body like this."

Fifty Years Ago

June 26, 1928

JOHANNESBURG — Six men in two trucks under the command of Captain Clifton recently set off from Mahalapye with a view to exploring hitherto unknown areas of the Kalahari desert. The venture is one of considerable danger as this is the hottest season of the year, when all known waterholes are dry. None of the personnel will be able to wash until the journey is completed. If the men are not back within a certain time, planes will be sent to search for them.



'It'll Destroy Our Planet, But It Won't Harm People.'

The Medal of the Just

By Leopold Unger

RUSSELS — Nineteen Poles have just received the Medal of the Just, which is awarded by Jerusalem's Historical Institute of Yad Vashem to persons who saved the lives of Jews during the Nazi occupation.

This appears to be a banal piece of information: thousands of persons throughout Europe, including hundreds of Poles, have already received this decoration. But the novelty here is in that it was this first time that the solemn presentation ceremony took place in Warsaw.

This geographic detail — of totally secondary significance anywhere else — adds a touch of history to the event and clearly indicates the complete state of relations between the Polish state and Jews. Dating back many centuries and never simple, these relations went through alternate periods of tolerance and hatred, fertile cohabitation and a tragic similarity of fate which, nevertheless, did not prevent the various governments of Poland — bourgeois or Communist — from imposing at times policies of anti-Semitism that were as cynical on the political plane as destructive on the human level.

The question today is whether these fragile relations have reached a turning point, or more precisely a new turning point. There are many signs pointing to that conclusion. In fact, the Poles received their decorations from the director of the Yad Vashem Institute in person. And he was only one of an impressive delegation of Jewish and Israeli personalities.

Eichmann Trial

Among the members of the delegation were Nahum Goldman, honorary president of the world Jewish Congress; Gideon Hausner, a member of the Knesset and the former prosecutor-general of Israel responsible for the trial of Eichmann; and Stefan Graiek, who fought in the Warsaw Ghetto and is now president of the International Union of Jewish Veterans. This delegation was the first official Jewish group to visit Poland since 1967, when ties were broken between Israel and Poland.

The official reason for their visit was the 35th anniversary of the Warsaw Ghetto uprising. An apparently normal pretext, which also bore an unusual significance. There was no Jewish delegation to the 25th anniversary of the uprising in 1968, nor to the 30th anniversary in 1973.

In 1968, the Polish government was going through a hysterical

wave of anti-Semitism; the Jews had been chosen as scapegoats for the internal dissension that was ripening apart the Communist Party. Five years later, the fallout from 1968 was still so thick that the Jews whom they had been invited to attend the ceremonies decided to boycott Warsaw's siren calls.

The delegation which this year decided to accept the invitation was very well received in Warsaw. Nothing was spared to convince the visitors that the current Polish rulers firmly desired to renew the dialogue between Poland and the Jews.

Ghetto Monument

Many wreaths were placed on the Ghetto monument, and a permanent exhibition was inaugurated with a delay of 30 years at Auschwitz to the memory of the 3 million Jews who were murdered there, while an impressive number of high state and party dignitaries were present at a solemn concert in Warsaw at the time of the inauguration.

Several days after the departure of the delegations, phrases long forgotten were once again being pronounced in Warsaw, Communist Party leader Edward Gierek who promised in 1968 to "break the bones of the Zionists" changed the style of his political speeches and declared: "Never in the past have we had a hostile attitude toward the Israeli nation. . . . The Israeli nation, the Jews, as all other peoples have the right to an independent state. What better proof can there be of our relations toward the Israeli nation and the Jews than our attitude before history and all our common experiences. This common history should never be forgotten in our country. We must create the conditions to facilitate a rapprochement in the future and the normalization of relations between our states and our peoples. When will this occur? The answer to that question depends not on us alone."

In addition to its exceptionally moderate tone, this declaration contains several interesting aspects. It was made as an answer to a question during a press conference with leading journalists. Both the fact that a journalist dared to ask such a question, and the fact that the answer was published without authorization from the highest level.

Nevertheless, Mr. Gierek's gesture is of limited scope and fits in the frame work of political strategy. And, furthermore, could not have been accomplished without the approval of the Kremlin.

Letters

U.S. Taxes Abroad

On June 6, a House Ways and Means subcommittee, whose chairman is Rep. Joe Waggoner, approved a proposal for taxing Americans abroad. The proposal would allow deductions for certain cost-of-living, housing, education, moving and home-leaves allowances. The proposal would also allow a lump sum exclusion of earned income similar to the exclusion provided under the old version of Section 911, of \$20,000 (or \$25,000, depending upon residence status, with the \$20,000 or \$25,000 figures subject to increase for inflation) for Americans resident abroad — except those living in Canada or Western Europe.

Obviously, you are incapable of understanding the vast courage and spiritual strength of the United States of America. James Reston's opinion (HT, June 12) was fine; but far too kind. I am reminded of my great friend and mentor Charles Culp Burlingham, chairman of the board of governors of Harvard for 40 years, lawyer for the victims of the sinking of the Titanic before the first World War; one of the three who wrote the law making it unnecessary to put down the name of race, color, or creed when applying for a job.

Though Solzhenitsyn lives in Vermont, he has not yet caught on to Vermont's respect for privacy, its poker-face sense of humor, and its gift for dry understatement. Example: Two old, Yermontians friends who had had breakfast together for years at the same village cafe before going off to work every morning, one would ask the other, "How you this morning?" Answer: "None of your business." I could go on giving you examples of quiet "Occidental" (not only U.S.) courage. There is plenty to criticize in the West but not its courage or its spiritual strength. Understandably, you are too somber; you lack a civilized sense of humor, necessary even during stress; and you haven't the wildest idea of what makes the United States tick.

• Support of the subcommittee proposal for taxing Americans abroad, but also:

• Extension of the lump sum exclusion to Americans in Western Europe and Canada. to avoid unfair discrimination against these Americans and, in the case of Western Europe residents, to take

account of the high VAT and other indirect taxes they pay but for which they receive no foreign tax credit.

PETER DANOS
President,
American Chamber of
Commerce in France,
Paris.

A Quiet Disdain

To Alexander Solzhenitsyn: A quiet disdain has been seething in me the last few days, because of your commencement address to the Harvard University graduates this month.

Obviously, you are incapable of understanding the vast courage and spiritual strength of the United States of America. James Reston's opinion (HT, June 12) was fine; but far too kind. I am reminded of my great friend and mentor Charles Culp Burlingham, chairman of the board of governors of Harvard for 40 years, lawyer for the victims of the sinking of the Titanic before the first World War; one of the three who wrote the law making it unnecessary to put down the name of race, color, or creed when applying for a job.

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EVE KENT.
Paris.

Big Cities of U.S. Are Losing Clout

By David S. Broder

ATLANTA — From ancient times, the philosophers have argued whether politics is an art or a science. In some respects, it is neither, but rather a branch of applied mathematics. Last week's meeting here of the nation's mayors explained why.

The notable thing about the 46th annual gathering of the U.S. Conference of Mayors was the severity of the disagreements that were revealed among the men and women who run our major cities over the question of how their share of the federal-aid pie should be sliced.

There is nothing new about the variety of interests represented in the conference, which includes mayors from all cities over 30,000 population. Depending upon their age, size, their region and their economic health, these cities have very different stakes in the distribution formulas for the billions of dollars Washington distributes to mayors' offices each year.

But there is nothing new about the history of the cities' lobbying arm: have those mayors come as close as they did last week to breaking up over the question of distribution formulas. Only some urgent backstage meetings avoided that pitfall, which could have crippled the major push to enact President Carter's urban programs.

Crisis Year

The reason this was such a crisis year for the organization and the urban interests it represents can be found in three sets of numbers.

First, there is 13 — the famous California Proposition 13, which pinches off funds for city services in the largest state and puts all governments across the country on notice that they must discipline their own taxing and spending — or else.

Second, because of Proposition 13, there is greater pressure both on Carter and the Democratic Congress to curb the most rapidly growing areas of the federal budget. As it happens, one of those areas has been federal aid to state and local governments. As Wayne Anderson, executive director of the Advisory Commission in Intergovernmental Relations, pointed out here, that sum has increased from \$7 billion to \$80 billion in the past two decades, with much of the increase just in the last few years.

So long as the federal aid pie was expanding rapidly, mayors were competitive — but not really homicidal — about the size of their slice.

But with Proposition 13 signaling a slowdown in the overall growth, the battle for a bigger share gets tough.

And that is where the third piece of mathematics enters. For most of its life, the mayors' conference has

been dominated by its big-city members. With such media stars as New York's John Lindsay and such muscular politicians as Chicago's Richard Daley, the big-city mayors made themselves a major force in the 1960s. But that generation of mayors has gone to political banishment of the great beyond, and the leadership of the conference has passed into the hands of mayors from smaller, growing cities who do not have the same interests or problems as the mayors of the old, declining cities.

The new chairman of the organization is William McNichols of Denver, a rapidly growing Western city. His successor is slated to be Richard Carver of Peoria, a Republican who in 1980 is aiming to run against Sen. Adlai Stevenson 3d (D-Ill.), a principal architect of the New York City loan legislation.

As Salt Lake City Mayor Ted Wilson, another of the emerging leaders of the group, remarked: "There's a shift of power taking place. . . . Ever since the New York City bailout, the big city mayors have quieted down, and you see the mayors of the smaller cities, the Sunbelt cities, saying more about their right-to-share in federal programs."

Many of the mayors of those smaller and more prosperous cities are opposed to the kind of right "targeting" of federal urban aid to areas of serious distress that Carter has proposed. It was their opposition which almost brought an open split in the conference's ranks. In the end, it was compromised — or papered over — for this year.

Clear Signal

But the clear signal is that the big cities, which have been the great beneficiaries of liberal domestic programs, are losing their clout, even in the mayors' organization they once dominated.

Once again, the reason lies in the numbers. The big cities' share of the national population is decreasing rapidly, while that of the middle-sized cities rises. Between 1950 and 19

INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

PARIS, MONDAY, JUNE 26, 1978

COMMODITIES

More Investors Are Rushing In, Creating a Worldwide Boom

Regulatory Problems

U.S. Speculators Await Option-Trading Approval

By Alan J. Wax

NEW YORK (IHT) — Commodity options may be the wave of the future, but in the United States the future will have to wait a while. Although dealers and traders in the United States hope that exchange-traded options will be permitted either later this year or early in 1979, the Commodity Futures Trading Commission so far does not seem in a hurry.

In London, however, where options were born, trading is continuing at a brisk pace, spurred by orders from speculators in West Germany and Switzerland.

Meanwhile, people in the United States with a penchant for speculating in commodities — but without making a full-scale commitment — will be ready Alan Abrahams, an escapee from federal prison.

The CFTC, which for a year had been trying without success to close the Lloyd Carr firm, found as it picked up the pieces that Carr had never sent any of his customers' funds to London for investment options. Today, Abrahams is back in prison, the firm is out of business and its clients — and authorities who were supposed to be on the lookout for such practices — are left to lick their wounds.

In the wake of the Lloyd Carr episode, the CFTC has banned options trading in the United States until it can set up appropriate oversight mechanisms. In the meantime, U.S. residents are limited to trading "dealer options," which are based on actual metal inventories held by Mocatta Metals Corp., of New York or its subsidiary, Quality Metals Corp. Firms selling these options must have at least \$10 million in net worth, which severely limits the number of firms offering the options. They are available only for gold, silver, platinum and copper.

If things go according to the plans envisioned by CFTC chairman William Bagley and other commission and industry officials, U.S. exchanges will be able to trade commodity options within the next 12 months. CFTC officials say their program hinges on a \$1.8 million appropriation from Congress to permit the agency to hire 60 additional people to monitor an options program.

A Commitment

A futures contract, on the other hand, is a commitment to buy or sell a commodity on a definite date (although the commitment can be shed simply by selling the contract). Most futures contracts do not result in the actual delivery of the commodity.

As Perry J. Cracraft states in his book "London Options on Commodities," option purchase of commodity options provides the opportunity to speculate with limited risk.

Mr. Cracraft, who is an options broker, explains that speculators who buy futures contracts can be whipsawed out of the market by sudden price moves either up or down, depending on whether they have bought or sold contracts — even though they may have correctly anticipated the market's direction over the longer term.

The option, on the other hand, gives its holder time. Day-to-day fluctuations, which often can make or break a contract trader, have no effect on option holders. They can wait until the expiration of the option to see if the market moves in a favorable direction.

If it does not go the trader's way, the option is worthless. Day-to-day fluctuations, which often can make or break a contract trader, have no effect on option holders. They can wait until the expiration of the option to see if the market moves in a favorable direction.

If the idea sounds attractive — and it certainly has in London and stock-option trading in the United States — it has been less than a boon to U.S. regulatory authorities. The short history of commodity option trading is filled with cases of fraud, bucket shops and boiler room high-pressure sales tactics. A bucket shop is a firm that accepts clients' investments but does not buy the options. If the trade is a loser, the firm keeps the money; if it wins, the firm is supposed to pay off as if the trade were legitimate.

In practice, bucket shops usually disappear long before the trader knows whether he guessed right or wrong.

The most recent scandal in the commodity option field in the United States was the case of Lloyd Carr & Co., a Boston-based firm that claimed to be the biggest option firm in the country. After receiving complaints from many of the firm's customers, federal authorities moved in only to find that its founder, known as James Carr, had disappeared, leaving customer losses that may have run into millions of dollars.

The embarrassment to the authorities was compounded when it was learned that "Carr" was really Alan Abrahams, an escapee from federal prison.

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A futures contract, on the other hand, is a commitment to buy or sell a commodity on a definite date (although the commitment can be shed simply by selling the contract). Most futures contracts do not result in the actual delivery of the commodity.

As Perry J. Cracraft states in his book "London Options on Commodities," option purchase of commodity options provides the opportunity to speculate with limited risk.

Mr. Cracraft, who is an options broker, explains that speculators who buy futures contracts can be whipsawed out of the market by sudden price moves either up or down, depending on whether they have bought or sold contracts — even though they may have correctly anticipated the market's direction over the longer term.

The option, on the other hand, gives its holder time. Day-to-day fluctuations, which often can make or break a contract trader, have no effect on option holders. They can wait until the expiration of the option to see if the market moves in a favorable direction.

If the idea sounds attractive — and it certainly has in London and stock-option trading in the United States — it has been less than a boon to U.S. regulatory authorities. The short history of commodity option trading is filled with cases of fraud, bucket shops and boiler room high-pressure sales tactics. A bucket shop is a firm that accepts clients' investments but does not buy the options. If the trade is a loser, the firm keeps the money; if it wins, the firm is supposed to pay off as if the trade were legitimate.

By nature of their historic roles as monetary metals, gold and silver will likely continue to reflect the fears, hopes and anticipations of the wealthy and the not-so-wealthy all over the globe.

In most of the world, gold has been a favorite investment for centuries. Its use, along with silver, as a hedge against inflation was felt most dramatically beginning in the mid-1960s. In the United States, gold trading was banned for 40



Traders call bids at N.Y. Commodities Exchange Center.

N.Y.T. Neal Boenzi

Futures: Taking Risks for Big Profits — and Losses

NEW YORK (IHT) — Futures markets have two basic elements: hedging and speculation. Hedging is done by so-called "trade sources" — the producers and users of the actual commodity. Speculators are non-trade participants in the market. Here is how each half works:

The Hedgers

Futures markets were created to free both the producers and the users of commodities from the uncertainties of price fluctuations.

A farmer in Kansas, for instance,

plants his wheat in the spring and will have it ready for the market in October. However, he wants some assurance of the price he will receive for the wheat so that he can plan his business and be reasonably certain of his income. The farmer would sell (go short) futures contracts for his entire crop (5,000 bushels of wheat for each contract).

Once he has done that, he has guaranteed the price he will receive when he sells his crop in October, although the market price of wheat may move sharply up or down.

If the price rises, the farmer will get more for his crop, but he will lose the same amount when he repurchases the futures contract he has sold. If the price falls, his cost will go up, but it will be offset by the profit on the

make a profit on the futures sale.

On the other side of the market, a baker wants to know how much he will have to pay for wheat in October in order to plan other aspects of his business. (The cost of wheat actually makes up only about 1 percent or so of the cost of bread.) The baker would buy futures for the amount of wheat he will need in October and, like the farmer, has guaranteed his price.

If the market price of wheat falls,

he will pay less for the wheat that is delivered to him, but he will lose the same amount on the futures contracts he owns. If the price of wheat rises, his cost will go up, but it will be offset by the profit on the

futures contract, which will rise by the same amount.

The farmer does not plan to sell his wheat to whoever bought the futures contracts he sold. And the baker intends to buy wheat from his normal suppliers. As the maturity date for the wheat futures contract comes near (in October), both the farmer and the baker would make "balancing" transactions in the futures market: the farmer buying contracts to cover his "short" position and the baker selling the contracts he bought earlier in the year.

Then each would make normal transactions with their usual business partners, each knowing that

no matter what happened to the price of wheat in the meantime, each is protected by the futures position established months before.

The Speculators

Futures market speculators, who are regarded more highly than their stock market counterparts, assume the risk that the producers and users are trying to avoid. In return, they gain the potential for big profits — and the possibility of equally large losses — in a very short time.

The key to speculation is leverage — the relatively small cash deposits required to buy and sell contracts.

(Continued on Page 8)

This Section

This special report was prepared and written by Philip Greer with Alan J. Wax, Martin Bartelsky and N.L. Bacon.

smaller — in the area of \$1 billion. By contrast, all the stock exchanges in the United States traded shares with a total value of \$17.2 billion.

Phenomenal Growth

The growth of trading has been nothing short of phenomenal. A recently in 1972, the total value of contracts was only \$189.4 billion (like the 1977 figure, an estimate by the Futures Industry Association).

The Chicago Board of Trade, the largest commodity futures market in the world, traded more than 2 million contracts in 1977, a 20-percent increase over 1976 and 74 percent better than five years earlier.

Other futures exchanges in the United States — the Chicago Mercantile (the Merc) and New York Commodity Exchange, Inc. (the Comex), are next in size — record similar growth records.

Frantic Rush

Part of the growth is due to the steady flow of new futures brought into the markets as they range from live cattle to U.S. Treasury bills — but it is also due to the frantic rush of capital all over the world searching for havens from real or anticipated threats, or succumbing to the siren call of the fortunes that have been made (and many have been lost) in amazingly short periods of time.

Trading in commodity futures is not for the fainthearted. (Its participants refer to the markets as "futures," to distinguish it from trading in actual commodities which is called "cash" or "spot trading.") Relatively small (and frequent) price changes can create a wipe out mountains of money.

Frantic trading, low cash requirements, high leverage and almost instantaneous reaction is news developments (or rumors) make the futures market a place for those who can devote the time, who have the nerve and, above all, who have the capital to withstand the buffeting that is an integral part of every trading day.

Freewheeling

Organized futures trading in the United States began on April 3, 1848, with the founding of the Chicago Board of Trade. Not until 1865, however, was the CBT issued its first set of rules to begin trading in futures.

The first futures trade took place on Oct. 17, 1965. The rules set up then have been adapted over the years, but the basic structure — freewheeling market with trader hanging over circular railings and shouting bids and offers at each other.

(Continued on Page 8)

Other Metals Picking Up New Sparkle in Gold Rush Metals

years, until the prohibition was lifted on Dec. 31, 1974. To Europe, conversion of paper currency into precious metals at times of rising commodity prices and general uncertainty has long been a common practice.

American Interest

The legalization of gold trading in the United States did not stir much interest at first, but Americans have been coming to the metal recently. Analysts say the debacle of the dollar on foreign currency exchanges, the apparently incurable inflation, climbing interest rates and a loss of confidence in government and other institutions have been the major reasons for gold buying by Americans.

Most of all, the assault on the U.S. dollar brought gold to the American public eye. While the United States is still a reluctant market for gold investment, the pace is picking up. Even now, as the dollar has, at the least, slowed its descent and the stock market

has staged its best rally in years, liquidation of gold has occurred only in short spurts. It is always followed by new buying surges. (The hesitant selling of gold probably is the best indicator that people around the world doubt that their economies can now make substantial and sustained improvements.)

The monthly gold auctions conducted by the International Monetary Fund and the recent sales by the U.S. Treasury were expected to exert downward pressure on gold prices. But they seem to have had the opposite effect. Bids at these auctions, for silver as well as gold, have been very close to market prices, giving the public appraisal a sort of official imprimatur.

Industrial Use

In addition to the speculative demand, industrial use of gold and silver has also been on an upward track. Accelerated jewelry purchases (Continued on Page 10)

for its stockpile. In addition, declines in warehouse stocks for both the Comex and the London Metal Exchange have brought some buyers into the market.

Kennecott Copper Corp. recently surprised the copper market with the announcement of a new pricing system. The formula is based on closing prices on the Comex, with 2½ cents a pound added on for delivery to U.S. ports.

Copper trading on New York's Commodity Exchange Inc., the primary market for the metal, soared to 133,745 contracts in May, a 19-percent jump over the same month last year. The trading, which included a one-day record of 12,580 contracts on May 26, brought the total for the year so far to 529,986 contracts, slightly ahead of the totals in the first five months of last year.

The Zaire fighting gave the copper market a buoyancy it has not had in a long time, but there were other factors helping the market. The trading floor heard rumors that the United States will soon buy 225,000 short tons of copper

4 percent this year. Japanese demand for the metal has grown, and platinum sales to U.S. industry also accelerated. Russia's ceasing to sell was clearly the biggest factor in the heavy trading volume. Market sources are not certain why the Soviet Union withdrew, and they say they do not know when it might put its platinum back on the market.

Boom Year

Platinum has been enjoying a boom year, thanks to the withdrawal of the Soviet Union as a seller in the world market. Platinum, traded on the New York Mercantile Exchange, was a star performer with 178,774 contracts traded in the first five months of this year, a resounding leap from the 46,705 contracts turned over in the same period of 1977.

Demand for platinum increased only 1 percent worldwide in 1977 and is expected to climb from 3 to

4 percent this year. Some problems for the market are the high price of gold and the low price of silver. The price of gold has risen sharply in recent months, while the price of silver has fallen. This has created a situation where it is difficult to make a profit on the sale of platinum.

Bearish Trend

On the London Metals Exchange, the chief market for lead and tin, the comparatively low price for lead — around 24 cents a pound compared with 31 cents at U.S. smelters — is causing some problems for the market. Some

(Continued on Page 10)

Commodities

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Understaffed Agency Controls Helter-Skelter Traders

NEW YORK (IHT)—In its latest annual report, the U.S. Commodity Futures Trading Commission devotes more than 150 pages to describing its efforts in 1977 to regulate commodity futures markets.

The report, written by William Bagley, chairman of the CFTC, with his fellow commissioners and staff, has not met with universal approval. Futures markets—and futures traders—have always been proudly free-running and helter-skelter. Critics of the commission charge it has gone too far. They say that the commission engages in "regulation for the sake of regulation."

The CFTC, the most active regulatory body in the commodity field anywhere in the world, oversees 165 active futures markets on 10 exchanges in the United States. Last year, these markets combined traded contracts for future deliveries of grains, soybeans, live animals, metals, currencies and other commodities with the astounding face value of one and one-quarter trillion dollars. The CFTC was hard put, to say the least, to keep up with the action.

There is little doubt in the moods of observers that U.S. commodity markets are the most regulated in the world. "There's no question about it," says Mark Powers, who heads the commodity department at the U.S. brokerage firm of Thompson McKinnon Securities and who until about six months ago served as the CFTC's chief economist.

Mr. Powers says he prefers Britain's less legalistic free-market attitude toward commodity trading

regulation. Most of the overseeing by the British government is concerned with foreign exchange, while the commodity exchanges regulate themselves. Britain has been using the system for nearly 100 years. So far, at least, it has worked well.

Britain's regulatory scheme may explain why more commercial business is transacted there than on U.S. exchanges that handle the same commodities.

The CFTC's Mr. Bagley does not dispute that fact, but he says the United States has a more public market than do most other countries. "One of the major concerns we have is the whole arena of customer protection," he says.

In a caution where securities markets are strictly regulated, he cautions, "the public expects some regimen of regulation." He further notes that regulation is necessary so that U.S. commodity markets can be exempted from anti-trust laws.

Members of Congress apparently agree. The original legislation establishing the CFTC will expire at the end of September and the agency is anxiously waiting for Congress to pass legislation to extend its life. Earlier this year, there was some question as to whether the lawmakers felt that the commission was doing a good enough job to be allowed to continue. That seems to be settled now, and the major question remaining is whether the new legislation will give the CFTC four or six more years of life.

Under Authority

The CFTC, whose members admit it is understaffed and has a hard time keeping up with the sprawling market, has these exchanges under its authority:

- The Chicago Board of Trade, the biggest U.S. commodity market and the most active trading arena in the world. Along with the Chicago Mercantile Exchange, it accounts for almost 50 percent of all futures trading in the United States. The exchange is home for contracts in wheat, corn, oats, soybeans, soybean meal, soybean oil, ice broilers (chickens), plywood, commercial paper, Government National Mortgage Association mortgages and long-term U.S. Treasury bonds, all of which give it a coverage of foodstuffs and interest rates.
- The Chicago Mercantile Exchange is the place for eggs, live cattle, live hogs, frozen pork bellies (bacon), lumber, gold, 90-day U.S. Treasury bills and, through its International Monetary Market subsidiary, a host of foreign currencies including the deutsche-mark, the yen and the Swiss franc. Most currency markets, with the exception of the chronically weak Mexican peso, showed large increases in trading volume in 1977.
- The New York Coffee and Sugar Exchange trades, as its name indicates, coffee and sugar. The ex-

change has been the scene of some frantic trading in recent years as first sugar and then coffee were in short supply and prices shot upward.

• Commodity Exchange Inc. (the Comex), which likes to call itself the world's largest metals exchange, is the home of trading in gold, silver, copper and zinc, although the zinc contract once again being tried out has not generated any interest so far.

• New York Cotton Exchange. In addition to cotton futures, its affiliated exchanges trade in frozen concentrated orange juice and liquefied propane gas, and there is some trading in crude oil.

• New York Mercantile Exchange (the Merc), once known as the New York Butter and Egg Exchange, now houses trading in round white Maine potatoes, platinum, palladium, U.S. silver coins

and imported boneless beef. It is also dusting off dormant contracts in foreign currencies and heating oil and has been discussing a contract in frozen french-fried potatoes. Three years ago, the N.Y. Merc was the scene of the biggest default in U.S. commodity trading history when thousands of contracts to sell Maine potatoes went unfilled. The episode, which has resulted in changes in trading rules and contract terms at the Merc,

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Commodities

Third World Seeks Ways to Assure Resource Prices

NEW YORK (IHT) — In a period of declining prices, however short, the efficacy of the world markets in London and the futures markets in the United States for several commodities is being questioned by producers, whether Third World members or private concerns.

Proponents of the futures concept point to the U.S. option market and are quick to show that prices have fluctuated at least twice as much since futures trading was banned as they had while futures trading was being conducted.

They are also quick to point out that both producer and consumer have been hurt, since neither has the opportunity to transfer the risk of ownership and "hedge" himself against adverse price fluctuations.

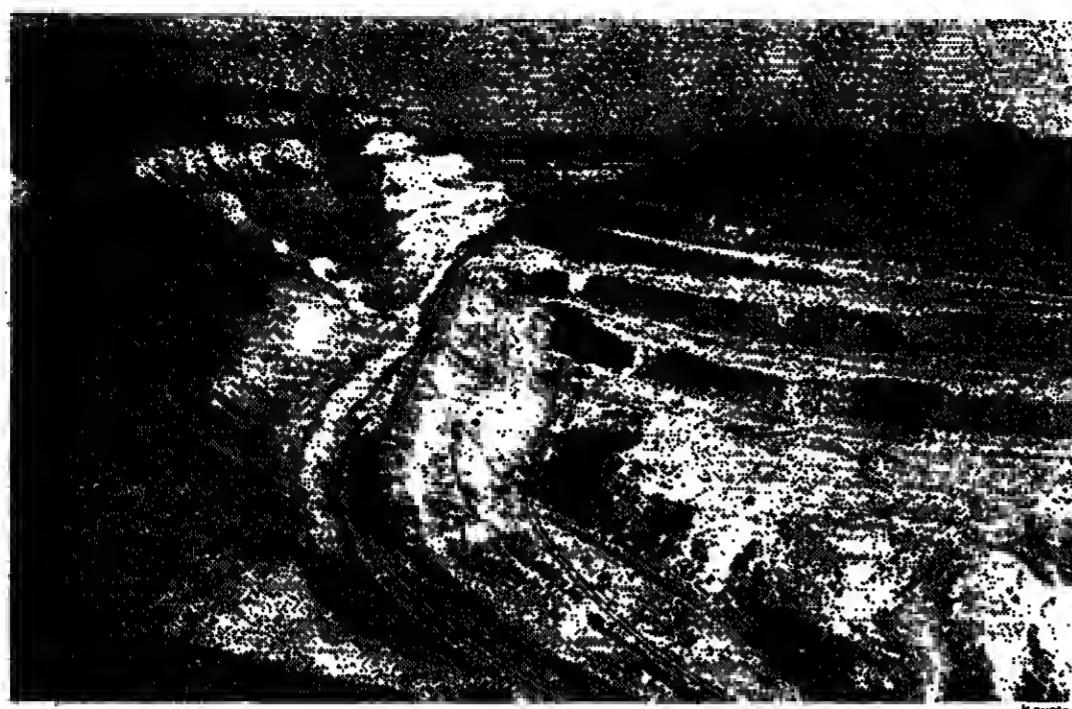
Importance

How important are these organized markets in such things as meat, coffee, sugar, wheat and corn that they evoke such strong and vocal responses?

In 1977, Zaire exported \$988 million worth of goods with copper contributing \$414 million or 42 percent of the total.

Brazil exported \$12.14 billion, of which \$2.1 billion (19 percent) came from coffee; \$435 million (3.5 percent) came from cocoa, and \$32 million (2.7 percent) came from sugar.

In 1976, Ghana exported \$804 million worth of goods, of which \$32 million or a whopping 73.6 percent came from sales of cocoa.



Recent fighting in Zaire focused world attention on copper mines such as this.

By contrast, in the same year the United States exported \$120.2 billion, of which only \$4.4 billion came from soybeans—the largest U.S. agricultural export; \$4.1 billion came from corn and \$2.7 billion came from wheat. The United States also exported \$5.5 billion worth of construction machinery, \$4.7 billion worth of civilian aircraft and parts, large quantities of military hardware; to Canada alone were exported \$7.1 billion worth of automobiles and parts.

Cartels

Attempts have been made to form cartels among producing nations similar to the Organization of Petroleum Exporting Countries.

But because no singular commodity is as necessary as oil to the industrialization of the world, no other cartel has been as successful.

There is an Intergovernmental Council of Copper Exporting Countries, but copper prices have been depressed as world inventories have burgeoned.

Negotiations are in progress to create an International Wheat Agreement and an International Sugar Agreement. An International Tin Council exists but so far it has been ineffective.

A major reason these non-oil cartels are virtually doomed is that in almost each case the United States, the world's greatest consumer, is hardly forced to buy.

It is the speculator, Third World member, who sells something he does not own and forces down the price to the detriment of those countries that produce the material. It is the speculator who hoards raw materials in times of shortage and interferes with the orderly marketing of newly produced material when shortages subside.

Oil: A Future for Futures?

By Martin Barolsky

NEW YORK (IHT) — With more than half a billion dollars a day changing hands in today's international crude oil market, it is only natural that futures traders have been trying to get a piece of the action.

But the few attempts to establish a futures market in oil since the Arab oil embargo and the Organization of Petroleum Exporting Countries price revolution that followed it have been dismal failures. Trading in crude oil futures never reached significant levels. And trading in futures for refined oil products — with the exception of propane, an already established futures trade in the United States — hardly fared better.

Once again, however, a New York exchange is shortly to try to revive oil products futures. And so the questions arise: Why has the oil futures market proved so sterile to date? What chance is there for any improvement?

Saudi Control

For crude oil, at least, the failure is attributable both to the structure of the international oil market, dominated by the OPEC cartel, and to the habitual attitudes and practices of oil companies. Commodity experts may argue that these obstacles are more psychological than real. But even so, they have so far succeeded in inhibiting oil futures.

There is no disputing OPEC's fundamental power to control the basic levels of crude oil prices. That power derives directly from Saudi Arabia's unquestioned ability to boost or cut back drastically its

Still True

This is true even in today's probably temporary state of global oil surplus. The Saudis' own "official prices" have remained basically firm. And their oil company partners and customers, determined to maintain the goodwill of a supplier who will be increasingly important in the future, are unwilling to cut prices blatantly even on "distressed" surpluses.

Nevertheless, "softened" oil prices have become more flexible over the past year. Oil companies are now able to disguise price trimming, even for Saudi oil, through limited supply swaps or through the third-party market, with the help of independent brokers.

More blatant price cuts have been forced on other OPEC members, whose need to maintain output and hence revenue to support large, impoverished populations gives them less clout.

Bait Untouched

Such price variations, even if only a few percentage points of the total, ought to be enough to sustain an ongoing futures market, commodity experts assert. The huge price swings that can add spice to other commodities' trade really are not needed.

Nevertheless, oil companies have

not risen to the bait, despite the real attractions of commodity-style hedging. Why? The attitudes of oil industry executives are one of the reasons. The executives see themselves as participants in responsible manufacturing enterprises, not as financial speculators. And they place a high value on the personal relationships they develop in direct business dealings, relationships that would go by the board in the anonymity of the commodity trading floor.

Equally important is that crude oil, unlike most other traded commodities, is far from a "fungible" (easily interchangeable) material with one or a few types. Rather, crude exists in a bewildering variety of grades, while commodity trading demands standardization.

Trying to skirt some of these difficulties, the New York Mercantile Exchange plans to offer shortly new futures contracts in refined oil products — fuel oil and distillate heating oil of the specified grades required in the large New York market — instead of crude. The Merc's reasons are that big end-users, such as electric utilities, are increasingly hungry for the price protection that hedging affords and that fuel suppliers, in today's depressed buyer's market, may now be interested, too. The Merc blames the failure of its earlier fuel dealings on the fact that they were earmarked for Rotterdam delivery and in European grades, shutting out potential U.S. interest.

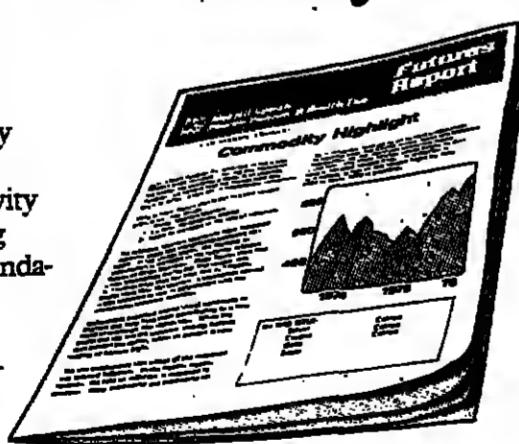
Only time will tell if this new approach can overcome the habitual indifference of the oil industry to the commodities-trading approach.

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among the world's top producers. In cases where this is not so, the producers are either fragmented or are in such poor financial shape that they must produce and sell in order to earn the export credits and foreign exchange necessary to repay existing international debts.

Two years ago, while the world economies were in the throes of the worst recession since the Depression, Zaire fell behind in payments to a consortium of Western banking interests. The nation was in arrears on \$500 million worth of loans.

Peru, another copper exporter, devalued its currency not long ago in accordance with International Monetary Fund preconditions for standby credits. That country expected to use copper export revenues to service \$1 billion in debts incurred since 1969, but a poor copper market since 1975 is severely undermining Peru's ability to meet its financial commitments.

Hardship stories abound and find sympathetic ears among Third World nations whose own future may well depend on prices received for non-renewable resources.

Forums

Arguments for commodity agreements, grain reserves and buffer stocks are being heard in international forums like the U.N. Conference on Trade and Development (UNCTAD).

Proposals are being offered that optimally would reduce price fluctuations for agricultural products and major elemental materials.

Such proposals, it is felt, would help Third World members forecast their foreign exchange receipts and requirements and thus aid their emergence into the developed world.

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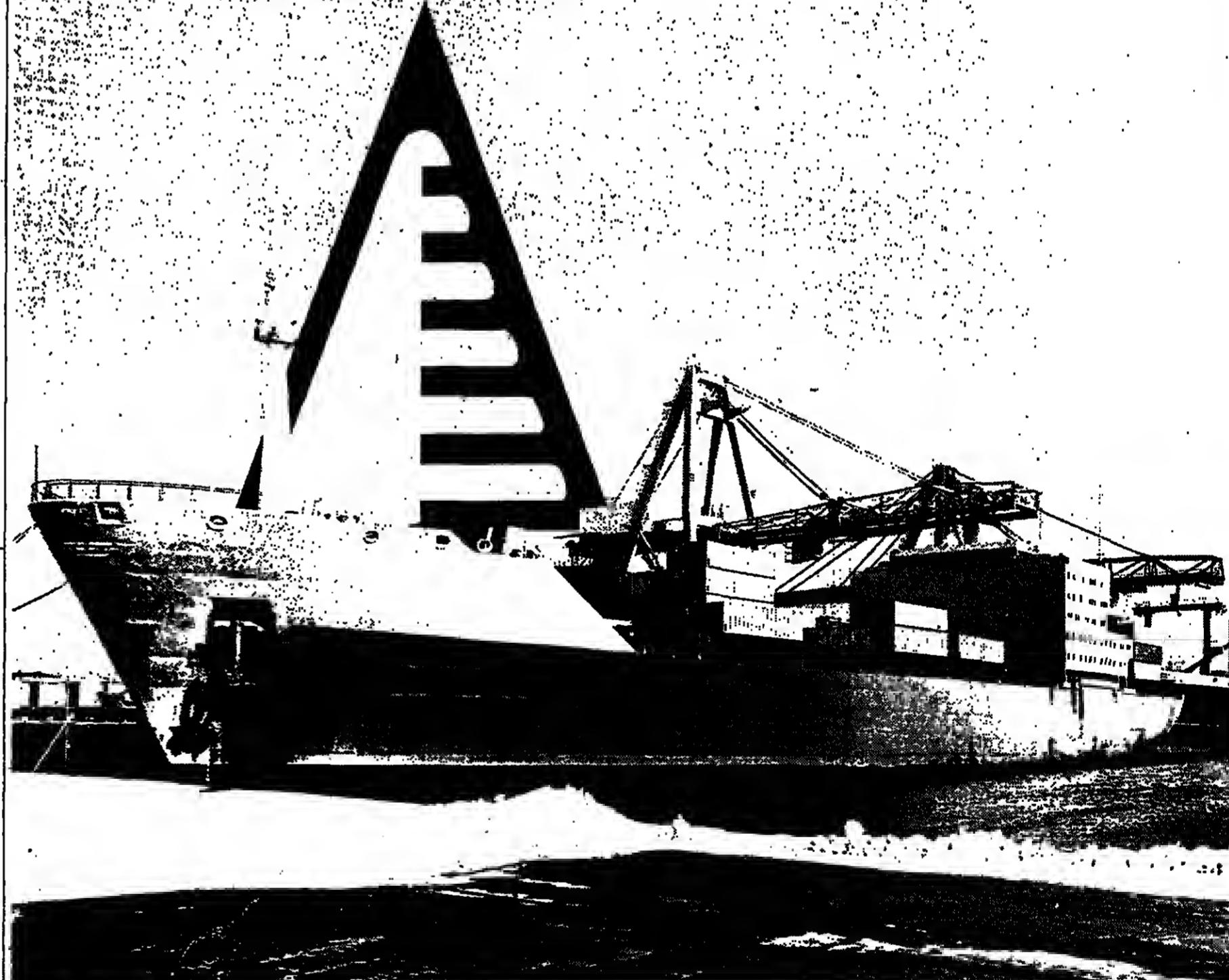
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Bull Market in Live Cattle Is Expected to Continue

NEW YORK (IHT) — A relative newcomer, the futures markets in live cattle, has become one of the world's most active markets. Prospects are that volume will continue to expand.

In addition to live cattle, the Chicago Mercantile Exchange has facilities for trading in live hogs, and these two markets account for a major share of trading there.

The activity in cattle and hogs has reflected growing acceptance of the role of livestock futures as a hedging medium. They have largely eliminated the guesswork of marketing live cattle and hogs for ranchers, feedlot operators and shippers.

The markets have also been helped by various seminars and other educational efforts by exchanges, universities and leading brokerage houses.

High Prices

Also, it is axiomatic that markets in an upward price cycle tend to attract greater speculative participation, and recent weeks have witnessed new life-of-contract highs for both cattle and hogs. Usually, the broader the speculative base, the more viable the market becomes for hedging.

The demand for beef has been holding at a high level, despite substantial price advances, and a well-maintained demand is anticipated over the balance of the year, helped by high employment and incomes.

In addition, a potent factor in the strength of futures has been the inflationary pattern and the belief that commodities are an attractive protective purchase.

Psychological Impact

Carter administration action in permitting the importation of an additional 200 million pounds of beef this year will have a psychological effect rather than any lasting impact upon beef prices.

Some momentary hesitation or weakening in prices is anticipated, but the longer-range outlook is for continued firm-to-strong prices in view of a tightening overall beef supply.

The additional import allowance will provide approximately one extra pound per capita over the remaining months of this year — rather a panacea — and the result could be to discourage domestic producers with a consequent brake upon, and possible reduction in, marketing.

Recurring talk of possible price



Pork belly pit in Chicago Mercantile Exchange.

controls appears hardly likely to become a factor. This can occur only by an act of Congress, and many congressmen strongly oppose such controls.

The live hog market has borrowed much of its strength from

the action in cattle in the belief that the sharper rise in cattle values will tend to accelerate consumption of pork products. However, the climb in pork prices has been tempered by the expectation of a modest climb in pork production during

the last six months of this year. As a result, the upside potential for live hog prices is hardly as promising as in cattle, and difficulty may be experienced in sustaining further advances from recent levels.

Trading in live cattle on the Chi-

cago Mercantile Exchange during the first five months of 1978 reached 2,080,000 contracts, one side only, compared with 1,275,000 for the corresponding 1977 period and 2,640,000 contracts for all of 1977. Trading in cattle on the Chi-

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Autumn Frost Is Big Unknown in Grain Markets

Export expectations for wheat, corn and soybeans are generally on the optimistic side because of prospective demand for feedgrains from Socialist countries trying to upgrade their citizens' diets.

The farmers were not able to get their corn into the ground early enough.)

The big question raised by the spring rains, though, is whether either crop will be ready for harvest before cold weather begins in the fall. The possibility of frost trimming the crops is likely to be the big unknown in this year's grain markets.

U.S. farmers are expected to harvest from 1.61 billion to 1.9 billion bushels of soybeans, with a much

and the best growing conditions, range from 5.5 billion bushels to 6.7 billion. Price projections, also based on the best and worst possibilities, go from \$1.90-\$2 a bushel to \$2.40-\$2.60 a bushel. (Corn production in the 1977-78 season was estimated at 6.357 billion bushels, with an average price of \$2.05.)

U.S. farmers are expected to harvest from 1.61 billion to 1.9 billion bushels of soybeans, with a much

wider range of possible prices — from \$5-\$5.50 with good weather to \$7-\$7.50 a bushel if the unfavorable conditions should prevail.

Export expectations for wheat,

corn and soybeans are generally on

the optimistic side because of prospec-

tive demand for feedgrains from

Socialist countries trying to upgrad-

e their citizens' diets.

Not Surprising

It should not be surprising, then, that corn and soybean futures soared to new contract highs recently on the Chicago Board of Trade. Typical of futures markets, though, prices began to recede as soon as warm, dry weather moved into the growing belt, allowing farmers to make up at least partially for their much-delayed seeding operations. Corn futures for delivery in July have been in the area of \$2.60 to \$2.65 a bushel, while July soybeans have been around \$7 a bushel.

Anticipated production of corn this year, assuming both the worst

and the best growing conditions, range from 5.5 billion bushels to 6.7 billion. Price projections, also based on the best and worst possibilities, go from \$1.90-\$2 a bushel to \$2.40-\$2.60 a bushel. (Corn production in the 1977-78 season was estimated at 6.357 billion bushels, with an average price of \$2.05.)

U.S. farmers are expected to harvest from 1.61 billion to 1.9 billion bushels of soybeans, with a much

a new contract, but so far it has not drawn much response from traders. Analysts say that there is so much of the metal around that producers and users find little reason to hedge their positions to protect against loss. Trading in the new contract, which began on Feb. 8, is averaging only eight contracts a day.

There is also an overhang of about 1.3 million tons of zinc in the Western industrial world, which

market analysts say is about double the normal level. The U.S. International Trade Commission recently rejected a zinc industry bid for tighter controls on slab zinc imports. The ITC decided, by five-to-one vote, that imports were not a threat to domestic producers.

Spotlight

Metals futures trading generally has picked up on organized markets, thanks to the spotlight brought to them by the rush into gold.

There has also been more trade interest in metals because their performance has come in the face of sluggish activity in other commodities, such as cotton and sugar. Analysts also point out the in view of the dullness of the steel market until its big rally in mid-April, traders looking for promising situations tended to drift towards metals markets.

Precious Metals

(Continued from Page 7) ing has been a bulwark for gold prices in the industrial markets.

By and large, world gold demand has been reflected in the level of activity in gold futures on U.S. commodity exchanges.

In late 1977 and early 1978, market observers say, rising demand for gold futures prompted a heavy buildup of U.S. gold inventories. It mirrored a significant expansion both in speculative and long-term investor holdings at a time when the dollar was touching new lows. Gold futures trading in this period nearly tripled against figures for the same period last year.

The most recent monthly figures for gold trading on the Commodity Exchange Inc. show that 171,596 contracts were turned over in May, compared with only 49,352 contracts in the same month of 1977. From January to May, 1,017,426 contracts were traded, up from 307,819 in the first five months of last year.

Kept Pace

Silver trading, meanwhile, has generally kept pace with the levels of 1977. Combined silver volume for the Comex and the Chicago Board of Trade in May was 386,603 contracts, down from 410,161 a year earlier, and 467,743 in April of this year. Lagging industrial demand earlier this year accounted for the sag in trading.

Silver dealers say demand remains strong and at least one has forecast a world supply deficit of 50 million ounces this year.

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مكانت من المخلص

Euromarket**Terms on Floating-Rate Notes Set New Low for Yield to Investors**

By William Ellington

LONDON, June 25 (AP-DJ) — At a time when the fear of an impending "credit crunch" is vexing some U.S. bankers and economists, the Eurobond market is still feeling the effects of excess dollar liquidity held by institutions outside the United States.

A continuing buildup of dollar balances by these institutions was cited by Eurobond experts as the main reason for an abrupt narrowing of the interest margins for floating-rate note (FRN) issues.

Credit National, the French state lending agency, disclosed plans last week to offer \$75 million of 10-year FRNs with the interest fixed twice a year at one-eighth of a point above the London interbank offered rate (Libor) for six-month Eurodollar deposits. Although the notes are government guaranteed and hence have a top credit-standing, few observers had believed that margins for FRNs would ever drop below a quarter point.

The breakthrough was set in the \$100-million, eight-year FRN offering of the state-owned Offshore Mining Co. of New Zealand whose terms effectively represented the first blow to the quarter-point interest-rate structure. These government-guaranteed notes bear semi-annual interest fixed at a quarter point above the average of the bid and offer for six-month interbank deposits. Since the normal spread between the bid and offer is one-eighth of a point, the effective margin above Libor should work out to three-sixteenths of a point. However, if spreads between the bid and offered rates widen to 8

half point, as they did in 1974, then the FRN margin above Libor would be zero.

In any case, these two offerings have set a precedent in that they not only represent the most unfavorable terms to investors yet seen for FRNs, but they also come closest to representing the cheapest terms yet seen for a medium-term Eurocurrency bank loan to a sovereign borrower.

Also on offer are:

- \$25-million, five-year notes for Arche International Bank, bearing semi-annual interest at the higher of either 6.5 percent or 0.375 points above Libor.

- \$30-million, five-year FRNs for the Banque Nationale de l'Afrique Occidentale with interest at the higher of either a quarter point above Libor or 6.5 percent.

Still in the market is a \$30-million, seven-year FRN of Ljubljana Kasa Banka, which is paying one point above Libor or a minimum of 7.75 percent. A specialist in this sector said at least another five or six FRNs were under preparation, including one for Banco de la Nacion of Argentina.

Many bankers contend that the overall market will stay very liquid despite a tightening of U.S. credit conditions because it will be continually fed by the U.S. current account deficit which was running at a 27.8-billion annual rate in the first quarter.

While institutions appear to have plenty of cash available they have been notably reluctant to commit the funds to fixed-rate debt issues, even those with short maturities.

"As long as interest rates are moving up and the dollar is still suspect, I don't think people will do anything in the market," an investment banker here commented.

While Eurodollar note prices fell around 0.75 point last week, pushing yields up by around a quarter point, the note market was still out of line returns available on medium-term certificates of deposit (CDs).

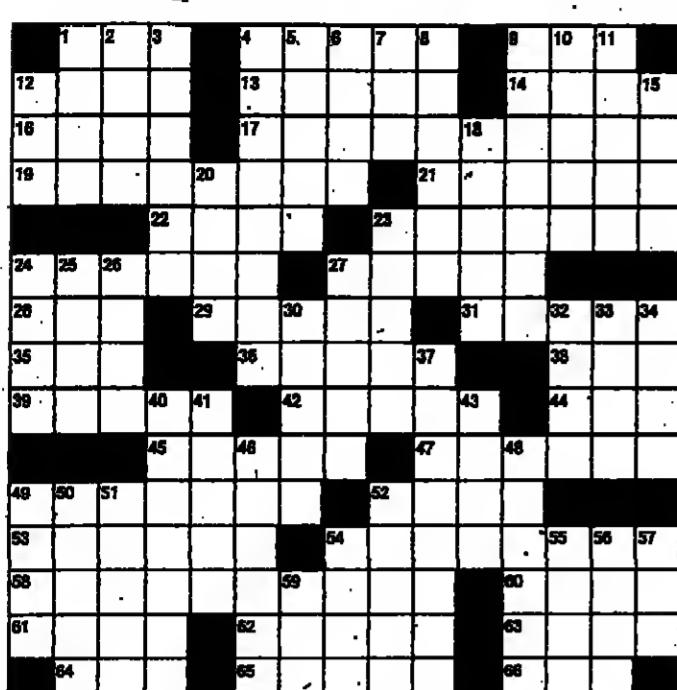
* Calculated by Luxembourg Stock Exchange

Over-Counter Market

(Continued from Page 11)

	Sales in 100s	High	Low	Last	Net Chg.
MidCont.41	51	145	144	146	-14
MidCont.1.2	20	145	14	145	-14
MidCont.2	125	145	145	145	-14
MidCont.3	125	145	145	145	-14
MidCont.4	9	124	212	204	-14
MidCont.5	175	145	145	145	-14
MidCont.6	40	145	145	145	-14
MidCont.7	54	14	154	14	+14
MidCont.8	48	128	254	234	-14
MidCont.9	50	254	245	245	-14
MidCont.10	224	22.5	12.5	12.5	-14
MidCont.11	224	92	54	54	-14
MidCont.12	224	54	54	54	-14
MidCont.13	16	271	274	274	-14
MidCont.14	22	174	174	174	-14
MidCont.15	22	174	174	174	-14
MidCont.16	22	174	174	174	-14
MidCont.17	22	174	174	174	-14
MidCont.18	22	174	174	174	-14
MidCont.19	22	174	174	174	-14
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MidCont.25	22	174	174	174	-14
MidCont.26	22	174	174	174	-14
MidCont.27	22	174	174	174	-14
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MidCont.126	22	174	174	174	-14
MidCont.127	22	174	174	174	-14
MidCont.128	22	174	174	174	-14
MidCont.129	22	174	174	174	-14
MidCont.130	22	174	174	174	-14
MidCont.131	22	174	174	174	-14
MidCont.132	22	174	174	174	-14
MidCont.133	22	174	174	174	-14
MidCont.134	22	174	174	174	-14
MidCont.135	22	174	174	174	-14
MidCont.136	22	174	174	174	-14
MidCont.137	22	174	174	174	-14
MidCont.138	22	174	174	174	-14
MidCont.139	22	174	174	174	-14
MidCont.140					

CROSSWORD By Eugene T. Maleska



P E A N U T S

B. C.

B L O N D I E

B E E T L E

B A I L E Y

A N D Y

C A P P

W I Z A R D

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M O R G A N

M. D.

R I P

K I R B Y

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Argentina Defeats Netherlands, 3-1, In Overtime of the World Cup Finals

**Two Goals
By Kempes
Win Title**

From Wire Dispatches
BUENOS AIRES, June 25 — Argentina beat the Netherlands, 3-1, here today in overtime of the championships of the World Cup soccer tournament.

It was only the third time in 11 World Cups that the championship had gone into overtime — two periods of 15 minutes each. In the first overtime, Argentina scored in the 14th minute to break the 1-1 tie.

Ten minutes later, Argentina scored again, by Daniel Bertoni, to assure the championship for the host country. It was the second successive World Cup in which the Netherlands lost in the final, having bowed to West Germany in 1974.

Early and Late Goals

The first goal in overtime was scored by striker Mario Kempes, who also got Argentina's first goal.

This came in the 37th minute and enabled Argentina to lead, 1-0, at halftime. But Dick Nanninga headed the Dutch equalizer in the 11th minute, forcing the overtime period.

Under the rules, the overtime periods were sudden-death, where a goal ended the game. If the overtime had failed to decide a champion, the two teams would have re-played the match Tuesday, but just named penalty kicks would have decided any tie then.

Overtime began quietly, with the Dutch playing "controlled" possession soccer. The Argentine crowd in River Plate Stadium suddenly and unwillingly cheered when Bertoni won the ball on the left and flipped it to Kempes.

He ran through and, although his first shot was met by the Dutch goalie, Jan Jongbloed, Kempes managed to push the ball over the line despite attempts by the Dutch midfielders Osvaldo Ardiles also received a warning.

Both teams took a long time to settle down but the Netherlands, using the long high ball to dangerous effect, created most of the early chances.



Johnny Rep of the Netherlands (right) heads the ball toward the Argentine goal yesterday.

on Dutch winger Rene Van de Kerkhof's right hand.

It continued to be rough. Fourteen minutes into the game, referee Sergio Gonella of Italy cautioned the Dutch captain, Ruud Krol, and before the half was over Argentina midfielder Osvaldo Ardiles also received a warning.

The match began in anger when the entire Dutch team walked off before the kickoff because the Argentine captain, Daniel Passarella, had protested about the plaster cast

Arie Haan, bursting down the left wing, created many chances for the Netherlands but once the Argentines settled down, they generally controlled the play with their quick close passing moves, and tight defense, which reduced the Dutch to a series of counters.

The first clear chance went to the Netherlands after 26 minutes when Johnny Rep blasted in a shot which goalkeeper Ubaldo Filol flipped over in a wholly reflex action.

Then Passarella blasted a kick just wide before Kempes finished off a four-man movement in the 17th minute by bursting through the center to shoot under the diving Jongbloed.

The Netherlands could have equalized minute from the interval. Rob Rensenbrink was left on his own close in with only Filol to beat but, as he did three times in the crucial second-round match against Brazil, Filol dived to block the point-blank shot.

Italy tried desperately to tie the score and nearly succeeded the minute before the end when Bettega headed a ball just against the crossbar of the Brazilian goal.

Crowd for Italy

The match was watched by 77,000 mostly pro-Italian spectators at River Plate Stadium.

The Brazilians' comeback gave them what their coach, Claudio Coutinho, called "a moral victory" in the World Cup, which they ended undefeated.

The players were forced to reshuffle their midfield because of the suspensions, for two yellow cards each, of Romeo Benetti and Marco Tardelli.

The game was marked by fierce tackling from both sides. Nelinho and Batista, on the Brazilian side, and Claudio Gentile were handed the yellow card by referee Abraham Klein.

Many others were fortunate not to have had similar assessments.

More Sports On Page 13

Cowboys Sign Four

DALLAS, June 25 (AP) — The Dallas Cowboys have signed four veterans to multi-year contracts, defensive end Harvey Martin, safeties Cliff Harris and Randy Hughes and running back Doug Dennison. The terms of their contracts were not disclosed.

Twins 2, White Sox 1

At St. Louis, Steve Garvey's home backed the three-hit pitching of Bill Hooton as Los Angeles won five innings before the Braves scored a scoreless tie with a run in the sixth.

Expos 2, Cardinals 0

At St. Louis, Woodie Fryman

teamed with Darold Knowles and Mike Garver on a six-hitter and Ellis Valentine singled home the only run Montreal needed as it defeated St. Louis, 2-0. Fryman (3-5), in his second start, for Montreal, pitched out of jams in the first and sixth innings.

Dodgers 4, Reds 3

At Los Angeles, the Dodgers

broke a tie with two runs in the sixth inning, one on a bases-loaded hit to Jerry Grote and the other on a grounder by Dave Lopes, and held on for a 4-3 victory over Cincinnati.

Giants 2, Braves 1

At San Francisco, Roger

Metzger's two-run double with two outs in the sixth lifted the Giants and Jim Barr to a 2-1 victory over Atlanta. Barr (3-4) blanked Atlanta in the 12th inning that brought Pittsburgh a 7-4 victory over New York.

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Rangers 3, Angels 0

At Arlington, Texas, Jon Matlack pitched a two-hitter and Bobby Thompson hit his first major league home run to lead Texas to a 3-0 victory over California. It was Matlack's 27th career shutout and first in the American League.

Brewers 5, Mariners 0

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Brewers 5, Mariners 0

At Milwaukee, Jerry Augustine

pitched a three-hitter and Gorman Thomas and Larry Hise hit two

runners, leading Milwaukee to a

5-0 victory over Seattle. August

ine (8-8) gave up a two-out single

to Bob Stinson in the third inn

ing and retired 17 of the first 18

batters.

White Sox 7, Twins 4

At Chicago, Claudell Washington drove in four runs with a homer and triple to pace Chicago to a 7-4

victory over Minnesota. Washington hit his second homer of the sea

son after Alan Bannister walked to

start a four-run sixth, which also in

Kentucky Undefeated

TOKYO, June 25 (AP) — The

undefeated University of Kentucky

basketball team wound up its

seven-game tour of Japan with a 108-

57 victory over the all-Japan team

yesterday.

Padres 3, Astros 0

At San Diego, Gaylord Perry

pitched a four-hitter for his 50th

career shutout, tying him with Balti

more's Jim Palmer for the major

leagues' record.

Mariners 3, Brewers 0

At Milwaukee, Glenn Abbott

pitched a four-hitter in helping

Seattle defeat Milwaukee, 3-0. Ab

bot

